

Business Tax Requirements

As a business owner and/or employer, it is your responsibility to understand and comply with all your tax obligations. When you open your doors for business you will have to start paying taxes to the federal government, the state, or your local municipality. Who you pay taxes to and what you pay taxes on will depend on your business type, and whether or not you will have employees.

What is Taxable?

What are your tax obligations? How will they impact your business? To answer these questions, you need to know what is taxable in your business. What is subject to sales and use tax?

1. Sale of retail goods, or other tangible personal property, or taxable services.
2. Certain service related businesses (auto repairer, beauty shop operator, plumber).

For a complete review of taxable and non-taxable products and services in Wisconsin, visit the Department of Revenue (DOR) Sales and Use Tax Publication Web site at www.dor.state.wi.us/pubs/02pb201.pdf.

Seller's Permit

If your business does involve the sale of a taxable product or service, it will be necessary for you to obtain a seller's permit from the Department of Revenue. A seller's permit can be applied for by completing the Business Tax Registration* form available on the Licensing and Permitting Web site at www.wi.gov or by contacting a DOR office near you. Apply for a seller's permit at least three weeks before you open your business. If you buy an existing business, you must apply for a new permit because the seller's permit cannot be transferred. If you have two or more business activities conducted at the same business location, only one seller's permit is required. If you have more than one business location where sales are made, a separate seller's permit is needed for each location.

*The multipurpose Business Tax Registration application is used to request a Wisconsin employer identification number, seller's permit, local exposition tax, consumer's use tax certificate, use tax certificate, alcohol-beverage permit, retail alcohol beverage permit, and a cigarette and tobacco products permit.

"Use Tax" Permit

Use tax is a five percent tax imposed on the sales price of tangible property or taxable services that are used, stored, or consumed within Wisconsin, upon which a Wisconsin sales or use tax has not previously been paid. If Wisconsin did not have a use tax, persons could buy items in another state to avoid paying Wisconsin tax on such purchases. Common use tax situations include the following:

- Property to be used in Wisconsin is purchased outside the state and the property would have been subject to sales tax if purchased in Wisconsin.

- Property purchased to sell to others for a nontaxable use and then is used by the purchaser in a taxable manner. Sales tax was not charged when purchasing the property.
- Property is purchased outside Wisconsin without payment of the Wisconsin sales tax and is then brought into Wisconsin and given away free.
- Property is purchased from a supplier outside Wisconsin without payment of the Wisconsin sales tax and the supplier ships the property to the purchaser's Wisconsin locations at the direction of the purchaser.
- Property is purchased from a supplier outside Wisconsin without payment of the Wisconsin tax and the supplier ships the property to Wisconsin where it is stored by the purchaser until subsequently shipped outside Wisconsin.

If any of the above circumstances apply to your business, you are required to pay use tax and must obtain a Use Tax Certificate. A Use Tax Certificate can be applied for by completing the Business Tax Registration (available on the Licensing and Permitting Web Site at www.wi.gov) or by contacting a DOR office near you.

Exempt Sales

The Sales and Use Exemption Certificate is available on the Licensing and Permitting Web Site at www.wi.gov or by contacting a DOR office near you. Examples of exempt sales include:

Sales where the purchaser intends to resell the item in the regular course of business are exempt from sales tax. In these cases, a Resale Certificate must be given to and retained by the seller as proof the sale was exempt for that reason. Purchasers must be registered sales/use tax vendors to obtain this exemption.

Sales of materials, tools, fuel, machinery, and replacement parts, which will be used directly and exclusively in the manufacture, processing, or conversion of tangible personal property to be sold, are exempt in many cases. The vendor must receive from the purchaser a Certificate of Exempt Status and maintain proper records on such sales.

Sales to organizations that have tax-exempt status are generally exempt from sales tax. The purchaser must present the seller with the appropriate exempt purchaser certificate to obtain the exemption. The two basic categories of tax-exempt purchasers are governmental organizations and charitable and nonprofit organizations.

Employment Taxes and Employer Identification Numbers

If you have employees, you will need to file forms to report employment taxes. Employment taxes include the following items:

- Social Security and Medicare taxes
- Federal income tax withholding
- Federal unemployment (FUTA) tax

To file employment taxes, any business having employees **MUST** have both a **Federal Employer Identification Number (FEIN)** and a **Wisconsin Employer Identification Number (WEIN)** to collect federal and state withholding taxes. Income tax withholding is the withholding of a portion of employee wages for state and federal income tax purposes. As a general rule,

the owner of a business that is incorporated is also considered an employee for withholding tax purposes.

Federal Employer Identification Number (FEIN)

It is important to apply for a FEIN early on in your business planning process, since other state, federal, or local forms may require you to supply this number. This is a nine-digit number assigned to sole proprietors, corporations, partnerships, estates, trusts, nonprofit organizations, farmers' cooperatives, and other entities for tax filing, reporting purposes, and establishing your business tax account. You generally will not be able to open up a company checking or savings account until you have your FEIN. To receive a FEIN, you'll need to complete a SS-4 form from the Internal Revenue Service (IRS). The SS-4 application can be found on the Build Your Business Web site at www.wi.gov or by calling the IRS at 414-297-3046 in Milwaukee or 1-877-777-4778. A complete guide to understanding your FEIN is available online at www.irs.gov/pub/irs-pdf/p1635.pdf.

The IRS is committed to enabling all taxpayers to comply with their tax filing obligations. The Internal Revenue Service (IRS) has partnered with various private industry companies to bring taxpayers affordable, convenient, user friendly e-file options to file your withholding taxes. More information is available at www.irs.gov/businesses/index.html.

Wisconsin Employer Identification Number (WEIN)

You can apply for the WEIN by completing a Business Tax Registration application that can be obtained through any Department of Revenue office or by downloading the application from the Licensing and Permitting Web Site at www.wi.gov. A WEIN is different from a FEIN and an Unemployment Compensation Account Number. An employer should always use the WEIN when preparing state withholding tax deposit reports* and when corresponding with the Wisconsin Department of Revenue.

*The Electronic Funds Transfer Program offers and accepts electronic funds transfer (EFT) as a method for paying withholding taxes. To register for this service contact the Electronic Funds Transfer Helpline at 608-264-9918.

Tax on Internet Sales

Internet sales, which have increased at a phenomenal rate, will continue to grow and benefit the economy. The "Internet Tax Freedom Act" does not prohibit Wisconsin from imposing a sales or use tax on sales of tangible personal property made via the Internet. Tangible personal property and taxable services sold over the Internet to customers of Wisconsin are taxed in the same manner as property or services sold by mail order or over-the-counter. Currently, the obligation to pay sales tax is determined by the location of the buyer, not the seller. If a business does not have a physical presence in a particular state, such as a store or warehouse, it is not required to collect sales tax for sales from customers in that state.

Although sellers are not obligated to collect a sales tax on the transaction in states where the seller does not have a store, consumers are obligated to pay an equivalent "use" tax to their home taxing jurisdiction when the retailer does not collect the sales tax. A Consumer Use Certificate should be requested by completing a Business Tax Registration application. While

consumers are required to pay a “use” tax, many are unaware of or often ignore this requirement.

Machinery and Equipment Property Tax Exemption

Machinery and equipment used in the production process is exempt from property tax. To qualify as a manufacturer for property assessment purposes and to be entitled to the machinery and equipment property tax exemption, a business must contact the Department of Revenue in writing by March 1 of the assessment year.

Corporation Income or Franchise Tax

Every corporation organized under the laws of Wisconsin or licensed to do business in Wisconsin (except those exempt under Wis. Statutes) is required to file a Wisconsin corporate franchise or income tax return, regardless of whether or not business was transacted. Corporations not licensed to do business in Wisconsin are also required to file returns for each year they do business or have certain business activities in Wisconsin.

Business Income Taxes

Most businesses or their owners are required to pay tax on business income, but the type of tax they must pay and the forms they must file depend on how they are organized as a business. You should consider consulting a tax or business advisor on the tax and other implications of organizing your business as a sole proprietorship, partnership, corporation, or S corporation. For More Tax Information or Assistance

Wisconsin Department of Revenue

The following Department of Revenue offices provide assistance on a daily basis Monday through Friday, 7:45 a.m. – 4:30 p.m.

Appleton
265 W. Northland Avenue
Appleton, WI 54921-2016
920-832-2727

Eau Claire
718 W. Clairemont Avenue
Eau Claire, WI 53203-1606
715-836-2811

Madison
2135 Rimrock Road
Madison, WI 53713
608-266-2776

Milwaukee
819 North 6th St. Rm 408
Milwaukee, WI 53203
414-227-4000

Waukesha
141 N.W. Barstow St
Waukesha, WI 53188
262-521-5310

DOR Newsletter

Keeping aware of changes in Wisconsin tax law is a necessary obligation of every business owner. To assist in meeting this obligation the Wisconsin Department of Revenue (DOR) has established a Tax Practitioner News e-mailing list called DORnews. This list is open to everyone. Instructions are available through the www.dor.state.wi.us/taxpro/dornews.html or you can call any DOR office and request printed information.

Internal Revenue Service

Information, publications, and contacts are available at www.irs.gov or by calling 1-877-777-4778. Local IRS centers include:

Appleton
1901B East Capitol Dr.
Appleton, WI 54911
920-738-5699

Eau Claire
1320 W. Clairemont Ave.
Eau Claire, WI 54701
715-836-8750

Green Bay
1920 Libal Street
Green Bay, WI 54301
920-433-1913

LaCrosse
425 State St.
LaCrosse, WI 54601
608-785-0246

Madison
545 Zor Shrine Pl.
Madison, WI 53719
608-829-5827

Milwaukee
310 W. Wisconsin Ave.
Milwaukee, WI 53203
414-297-1662

Mosinee
10208 Park Plaza
Mosinee, WI 54455
715-355-8921